

In confidence

Tuesday 25 March 2025

11.00 – 15.30

MINUTES

Trustees present

Paul Thompson (Chair)
Wendy Alexander
Stephen Deuchar
Richard Hookway
Malcolm Press
Katy Radford
Clare Reddington
Fiona Salzen
Sushil Saluja
Christian Turner
Paul Woodgates

In attendance

Scott McDonald, Chief Executive (CEO)
Vijay Doshi, Chief Financial Officer (CFO)
Serin Hasan, Director Strategy
Andrew Horton, Director Digital & Technology
Mark Stephens, Director Cultural Engagement
Charlie Walker, Director International Operations
Mark Walker, Director English & Exams
Andy Williams, Chief Operating Officer (COO)
David Thompson, Director UKR & External Relations
Lucy Watkins, Director Global Change Programme
Charles Darley, Chief Transformation Advisor (CTA)
Alison Coutts, Secretary

1. Chair's introduction

1.1 Apologies for absence and declarations of interest

David Lefevre and Rageh Omaar had sent apologies for their absence. There were no declarations of interest.

1.2 Minutes and matters arising

The minutes of the meeting of 11 February 2025 were approved and the Chair noted that matters arising would be covered in the meeting. He also noted that this would be Stephen Deuchar's and Clare Reddington's last meeting as their terms would end on 30 April. He thanked them on behalf of the Board for their valuable contributions over the last six years.

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2. CEO report

The CEO updated trustees on the position regarding the loan, the accounts, Berry, the change programme, advocacy and the vision as follows.

- The loan extension has now been signed off for a period of 18 months. This means we can lay the Annual Report & Accounts for 2023/24 in Parliament and file by the end of the month.
- Berry is closer to completion. When the remaining issues have been finalised we will email trustees to seek approval.
- There has been good progress on multiple fronts on the change programme. However, capacity is a real issue and we also need specific expertise to deliver on certain elements. We are therefore reviewing resourcing options both internally and externally.
- Central costs are being worked on but are ultimately dependent on the size of the network. The plan for cost reductions in English & Exams is progressing and we are also developing a voluntary exit programme. The big shift since the last Board meeting is a more radical plan for the teaching centres.
- There have been various conversations on country closures including with the FCDO. We will have to reduce the network, but we need enough of it to remain to be able to deliver impact and value based on the reputation we have built up over 91 years. Therefore, the option of reducing to 30 country operations, which is one that has been mooted, would not be one the organisation could support.
- We have put a lot of effort into advocacy and press, and plan to continue to build understanding and support from across the UK. The strategy has come with some risks, particularly related to partners, suppliers and colleagues, and we are managing those carefully. We don't know when we will get the outcome of the Spending Review but will continue to model against various scenarios.
- We are also developing a positive vision for the future to provide some sense of inspiration as we go through the change. However, it will be a rocky period as morale is understandably low after several years of restructuring.

Trustees supported the development of a vision which is fit for purpose for the next ten years and commented that it should also be specific on areas which we will no longer be able to engage in.

3. Update on restructuring plan

CTA view of progress

The CTA updated the Board as follows. Since the last meeting the loan has been approved but the cut to the aid budget had also been announced. We now have a clear strategy for asset disposals and have plans and ideas for the income-generating work including for loss-making teaching centres. Treasury are pleased with our openness and pragmatism and commented that if they were to extend the loan over a long-term period, they would be sympathetic to us investing in online teaching. *(Information in this section has been removed as it is exempt from disclosure on the grounds that it is “likely to prejudice the commercial interests” of either the British Council or another party as defined under Section 43 (Commercial interests) of the Freedom of Information Act 2000.)* Their main concern, like ours, is capacity to deliver, so they understand it will be difficult. The leadership’s response has been excellent and he hasn’t seen this much progress made in a few weeks in other organisations he has worked in. We have a timeline which we have committed to, but it is based on many strategic assumptions and providing a strong plan for August is a challenge.

Trustees asked the CTA for feedback on views from the FCDO sponsorship team in terms of their expectations of the size of the network and he noted that although they had referred to a likely flat-cash position they had not expressed specific views. *(Information in this section has been removed as it is exempt from disclosure on the grounds that it is “likely to prejudice the commercial interests” of either the British Council or another party as defined under Section 43 (Commercial interests) of the Freedom of Information Act 2000.)*

Overall, trustees congratulated the team for grasping the challenge and the work put in so far.

Progress since last meeting

Director Global Change talked through the governance structure and decision-making methodology for the change programme which the Board supported. She also noted the enhanced role of the Finance Committee if the Board approves suggested changes to the Terms of Reference. These include: a remit to review progress on the global change plan at their regular meetings; and the authority to review and approve investments and divestments of between £15m to £25m once they have been endorsed by the Investment and Divestment Board.

Following presentations on each element of the plan, trustees commented as follows.

- The plan is not entirely about finance and it will be important to take into account the perspectives of business leads when making decisions. Work on both growth and cost-cutting should be given equal importance. A workforce strategy to address risks related to skills and resourcing gaps should come to the Board for discussion.
- The work on defining a list of the top 20 countries proposed for closure should be accelerated and shared with the FCDO and the Foreign Secretary. This will demonstrate

the severity of the cuts so there are no surprises later. Similarly, the list of teaching centre closures should be shared as quickly as possible so everyone can see progress.

- They encouraged the negotiation of more risk sharing with partners to help address the trapped cash issue. They noted that the closure of office space in Manchester and the move to home-working had been announced and confirmed that they had been duly notified of the decision and the implications at the last meeting. They also noted that the team was exploring sub-letting options for the office in Stratford.
- They supported the work on the country network which will define the minimal level of services required to justify a country presence and the minimum threshold of grant needed for them to be resilient. They noted that as inevitably some commercial enterprises will fail, the potential impact of this should be taken into account in the model. It was agreed that this would come back to the Board with more detail as would the work on layering once it has been further refined.
- On indirect costs, trustees noted that the plan is now closer to the target. However the savings identified do not currently take into account the impact of a reduced network. This will be modelled as the work on closures progresses.
- Finally, trustees were updated on the voluntary exit programme for which a request for approval is being prepared for FCDO and Cabinet Office. The plan is to announce this in April. The Board approved the terms and details of the scheme and noted the likely associated savings.

Summary

The Chair summarised the direction given by the Board to the Senior Leadership as follows.

- 1/ there should be greater emphasis on commercial growth and profit margins.
- 2/ there should be a clear rationale behind asset disposals to ensure there are none we may regret later.
- 3/ set a marker now on the c20 country operations we plan to close. This will help show government, partners and creditors we are taking the situation seriously.
- 4/ speed up the development of a strong new digital offer.
- 5/ continue to review franchising and partnering options for the teaching centres.
- 6/ lock in the c£20m of savings already identified.
- 7/ clarify the minimum non-ODA and/or ODA grant required to remain in a country.
- 8/ clarify commercial skills and capabilities which may need to be strengthened.
- 9/ keep coming back to our value and purpose so it's clear it informs our decision-making.

Trustees also agreed to a letter to the Foreign Secretary covering the following.

Firstly, a clarification of actions already in progress including: a cost-cutting exercise to reduce our costs by c£75m per year by 2029/30, closure of between 18 and 20 county operations; closure of a significant number of teaching centres, a shift towards online English provision, and asset sales.

Secondly, potential solutions in the near-term to avoid more damaging cuts including:

- Support for restructuring costs for the closure of country operations.
- Agreement that proceeds from asset sales can be used for either paying back the loan or investment.
- Endorsement of a c25 year loan repayment period to give financial stability over the coming years.
- Provision of c£3.3m per annum for investment in our digital offer.

4. CFO report

Management accounts

The CFO referred trustees to the February Management Accounts which had been included in the pack for information.

Budget 2025/26

The CFO noted that although normally we would be presenting a 5-year plan to the Board at this stage in the year, this year it will have to wait until we have finalised turnaround plan for presentation to the FCDO in August. We have therefore provided trustees with an interim budget for 2025/26 accompanied by a strategic outlook to 2029/30. This is still ambitious and comes with significant risks in both cost reductions and revenue growth which we will have to monitor closely. In addition, a crucial interdependency will be the outcome of the Spending Review.

The aim of the documents shared with the Board is to:

- Provide a framework against which the financial performance of the business can be monitored and to manage cash forecasting and monitoring for the year ending 2025/26.
- Provide a clear expenditure baseline against which to track delivery of savings programmes already in place.
- Enable trustees and management to review and assess the Going Concern status of the organisation as we proceed.
- Comply with the loan agreement information requirements until such time as the turnaround plan is complete.

Trustees considered the level of risk and agreed that the Finance Committee would monitor regularly.

The Board approved the interim budget for 2025/26.

5. Committees' Terms of Reference: annual review

The Chair reminded trustees that the Terms of Reference for each of the Board Committees are reviewed annually. The most recent review had now been completed and suggested changes have been highlighted in the board pack. The Committee Chairs noted that they were content with the changes Terms of Reference for their respective Committees and recommended them for approval.

The Board approved the presented Terms of Reference for the following Committees: Audit & Risk, Commercial, Finance, Nominations and Remuneration & People.

6. Reports from Committees

Finance

The Chair of the Finance Committee noted that most of the issues considered by the Committee had been covered. In addition to reviewing the budget it had reviewed the monthly forecast and been updated on Spending review negotiations, the loan and trapped cash.

Audit & Risk

The Chair of the Audit & Risk Committee noted that the Committee had focussed on the going concern assessment for the Annual Report & Accounts, the Internal Audit plan for 2025/26, the professional services closure report and the quarterly risk report.

Commercial

The Chair of the Audit & Risk Committee, on behalf of the Chair of the Commercial Committee, noted that the Committee had considered both a draft IELTS strategy for 2025/26 onwards and the teaching centre plan. It had also had a deep dive on the English and exams work in Ukraine. The Chair of the Commercial Committee had also asked that the growth workstream in the change programme, which covers digital innovation and product development, be shared with the Commercial Committee for review.

7. Update on Venice Architecture Biennale 2025 and Venice Biennale 2026

Director Cultural Engagement updated trustees on the plans for both of the above and shared a video to give some background colour. The Board appreciated the work and creativity put into making these valuable events and also asked for more evaluation to be done on their longer-term impact to complement the data on perceptions and numbers.

8. Any other business

There was no other business and the meeting finished at 15.00.